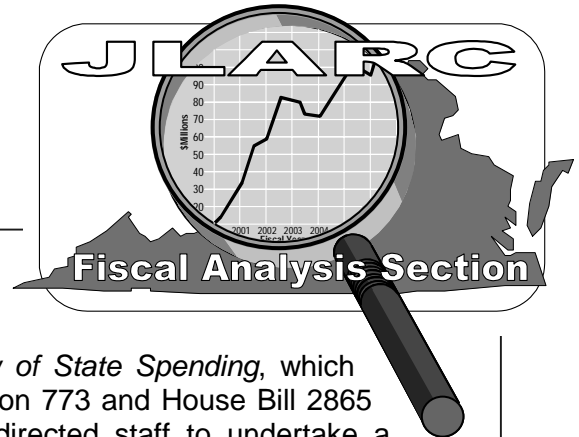


Special Report: Higher Education



Summary

Following the January 2002 JLARC *Review of State Spending*, which was conducted in response to House Joint Resolution 773 and House Bill 2865 of the 2001 General Assembly Session, JLARC directed staff to undertake a follow-up review focused specifically on higher education. In subsequent meetings, the Commission further directed JLARC staff to address issues that could result in increased savings and efficiencies in higher education, including the closing of nonproductive degree programs and issues related to institutional structure. This special report responds to the Commission's requests by providing a brief history of spending trends in higher education and addressing opportunities for increased savings and efficiency in the areas of special purpose research institutes and public service centers, off-campus sites, and nonproductive academic degree programs.

The past two decades were generally a period of growth in both enrollment and budget levels for the majority of Virginia's public higher education institutions. Overall enrollment growth increased 36 percent between FY 1981 and FY 2002. State support for core educational programs also increased by 221 percent over this period. However, when adjusted for inflation, State support on a per-student basis peaked in FY 1987, and it took over 10 years before State funding approached this level of support again. The average inflation-adjusted amount per student provided by the State between FY 1981 and FY 2002 was \$5,131.

Of the areas reviewed by JLARC staff for savings and efficiency, the 46 special purpose research institutes and public service centers appear to offer some potential for savings, at least in the immediate future. The General Assembly has repeatedly indicated that these entities, which will receive \$14 million in general funds annually in the 2002-2004 biennium, should seek non-general fund sources of support. In addition, it may be the case that the general funds supporting these organizations could be better targeted on more focused research activities.

Adequate data was not available to assess the cost of the 78 off-campus sites maintained by Virginia's public colleges and universities, although the General Assembly may wish to direct the State Council of Higher Education for Virginia (SCHEV) to review, inventory, and report on existing off-campus sites. While reducing nonproductive degree programs may improve the efficiency of the higher education system, and therefore should be carried out on a more consistent schedule, information provided by the institutions indicates that the closure of such programs does not consistently generate immediate savings.

2002
December

12/04/02

Revisions to the Commission Draft of 11/12/02

BACKGROUND

The 2001 General Assembly passed House Joint Resolution 773 and House Bill 2865 directing JLARC to analyze the causes of budget growth in Virginia. To respond to these mandates, in January 2002 JLARC staff completed an initial *Review of State Spending*, and in June 2002 staff completed an update to this report. Following the January 2002 spending report, JLARC directed staff to undertake a follow-up review focused more specifically on higher education. In subsequent JLARC meetings, the Commission further directed that JLARC staff address issues that could result in savings and increased efficiencies, including the role of the State Council of Higher Education for Virginia (SCHEV) in closing nonproductive degree programs and issues related to institutional structure.

This special report* provides a brief history of the spending trends in public higher education in Virginia. It also addresses opportunities for increasing efficiency in several areas, including special purpose research institutes and public service centers, off-campus sites, and nonproductive degree programs.

To carry out this review, JLARC staff met with staff at SCHEV and staff at several higher education institutions, conducted a survey of higher education institutions, and collected and analyzed data on historical spending and enrollment trends.

HIGHER EDUCATION BUDGETS AND ENROLLMENT HAVE INCREASED OVER THE PAST TWO DECADES

The period between 1981 and 2002 was generally a period of growth in both enrollment levels and budget levels for the majority of Virginia's public higher education institutions. Overall enrollment growth was 36 percent for this period. Both State and non-State funds for higher education also increased; however, on a per-student basis, State support for core educational activities has not consistently kept pace with enrollment growth and inflation. When adjusted for inflation, State funding per student peaked in FY 1987, and it took over 10 years before State funding reached this level of support again.

Enrollment in Public Higher Education Institutions Increased by 36 Percent Between 1981 and 2002

The period between 1981 and 2002 was typically a time of increasing enrollment for Virginia's public higher education institutions. Statewide, Virginia's public institutions saw a 36.1 percent increase in enrollment during this time period, with an average annual increase in enrollment of 1.5 percent. As

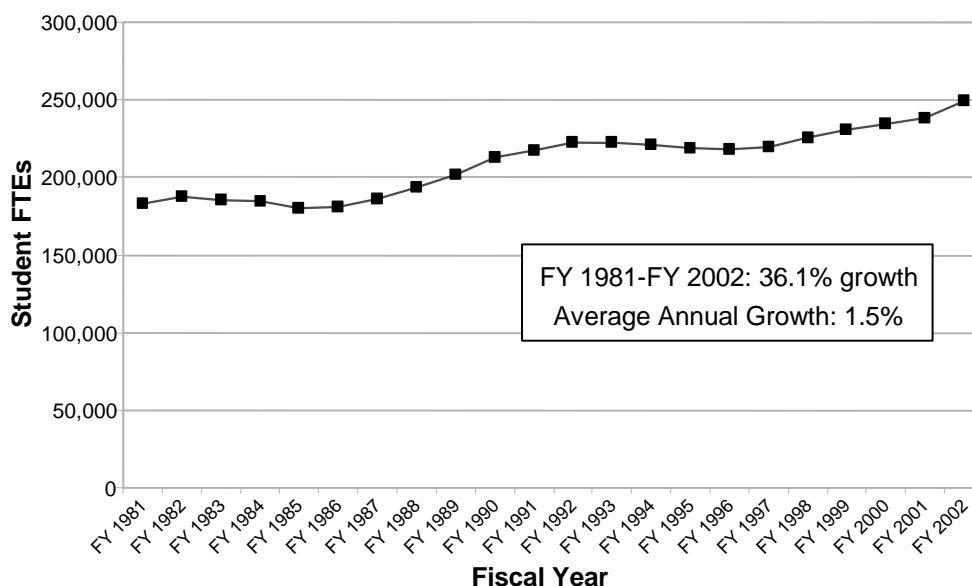
*Revisions were made to the November 12, 2002, Commission Draft based on comments received from the colleges and universities after the Commission meeting.

indicated in Figure 1, student full-time equivalent (FTE) levels generally followed an upward trend, with the exceptions of the periods between FYs 1983 and 1985 and FYs 1994 and 1995. (Figure 1 includes both the two-year and four-year institutions.)

While total statewide enrollment in public higher education institutions increased by 36 percent, Table 1 indicates that the experience of the individual institutions varied greatly. George Mason University (GMU), James Madison University (JMU), and Christopher Newport University (CNU) saw the largest influx of students. With enrollment growth rates of 96 percent and 68 percent respectively, GMU and JMU both surpassed Old Dominion University (ODU) to become the fourth and fifth largest public universities in the Commonwealth in terms of enrollment. A substantial part of the overall 36 percent increase was also due to the 51 percent increase in enrollment in the Virginia Community College System (VCCS) between 1981 and 2002.

While certain institutions experienced significant growth, this was not the case for every public institution. The University of Virginia (UVA) grew by ten percent, and Norfolk State University (NSU), the Virginia Military Institute (VMI), and Virginia State University (VSU) all served fewer students during the 2001-2002 academic year than during the 1980-1981 academic year.

Figure 1
Public Higher Education Student Full Time Equivalents (FTE)
FY 1981-FY 2002



Source: JLARC staff analysis of data provided by the State Council of Higher Education for Virginia,

Table 1 Total Student Full-Time Equivalent (FTE) Levels 1981 and 2002			
Institution	1980-1981	2001-2002	Percent Change
George Mason University	9,535	18,711	96%
James Madison University	9,072	15,235	68%
Christopher Newport University	2,653	4,428	67%
Mary Washington College	2,448	3,941	61%
Radford University	5,598	8,630	54%
University of Virginia at Wise	888	1,314	48%
Longwood University	2,985	3,904	31%
Virginia Commonwealth University	15,486	19,654	27%
Virginia Tech	22,624	28,062	24%
College of William and Mary	6,441	7,514	17%
Old Dominion University	12,841	14,669	14%
University of Virginia	19,665	21,697	10%
Virginia State University	4,287	4,169	-3%
Virginia Military Institute	1,593	1,525	-4%
Norfolk State University	7,176	5,334	-26%
Subtotal, 4-year Institutions	123,292	158,787	29%
Richard Bland	707	943	33%
Virginia Community College System	59,145	89,543	51%
Total Higher Education	183,144	249,273	36%
Source: JLARC staff analysis of data provided by the State Council of Higher Education for Virginia.			

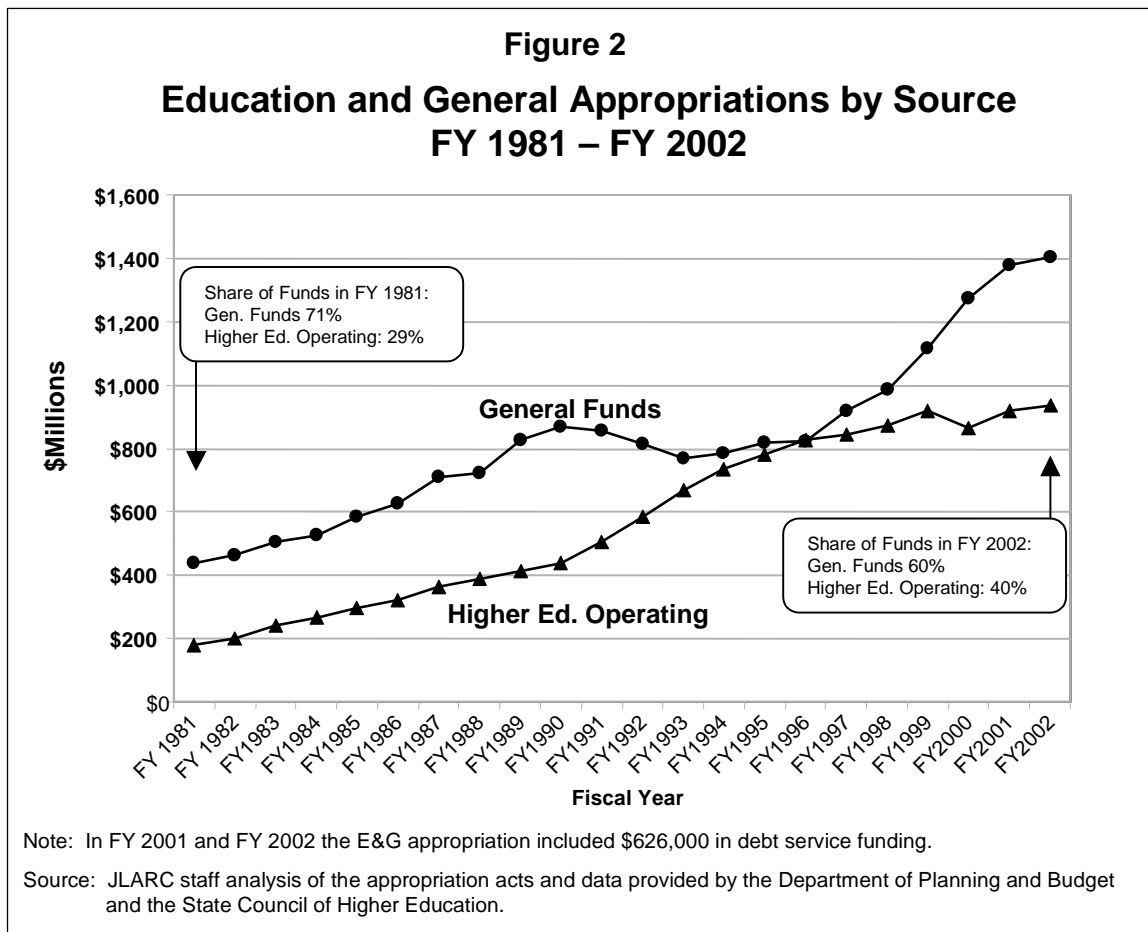
Higher Education Budgets Have Increased Significantly Since FY 1981, Although State Support on an Inflation-Adjusted Per-Student Basis Has Been Inconsistent

An initial review of higher education funding indicates a general increase in operational funds for higher education institutions over the past two decades. In FY 2002, a total of \$4.3 billion was appropriated for higher education. General funds accounted for \$1.6 billion (36 percent) of this total, and higher education operating funds (largely made up of tuition, fees, and revenue from auxiliary activities, such as concessions at athletic events) accounted for \$2.7 billion (62 percent) of the appropriation. (Typically, less than two percent of the higher education appropriation represented special revenue, debt service funding, dedicated special revenue, and federal trust funds.) Total higher education appropriations increased by 308 percent between FY 1981 and FY 2002, with the growth in higher education operating funds (418 percent) outpacing the growth in general funds (210 percent).

A more useful analysis is to review Education and General (E&G) appropriations rather than the total higher education appropriation. The E&G budget program funds institutions' core instructional activities, and excludes items such as sponsored research, financial aid, and auxiliary enterprises, such as parking, student health services, and recreational facilities.

As indicated in Figure 2, general funds have typically accounted for the majority of the E&G appropriation, although the portion of the E&G appropriation made up by general funds has varied. The other major component of the E&G appropriation is higher education operating funding, which is primarily tuition and fee revenue.

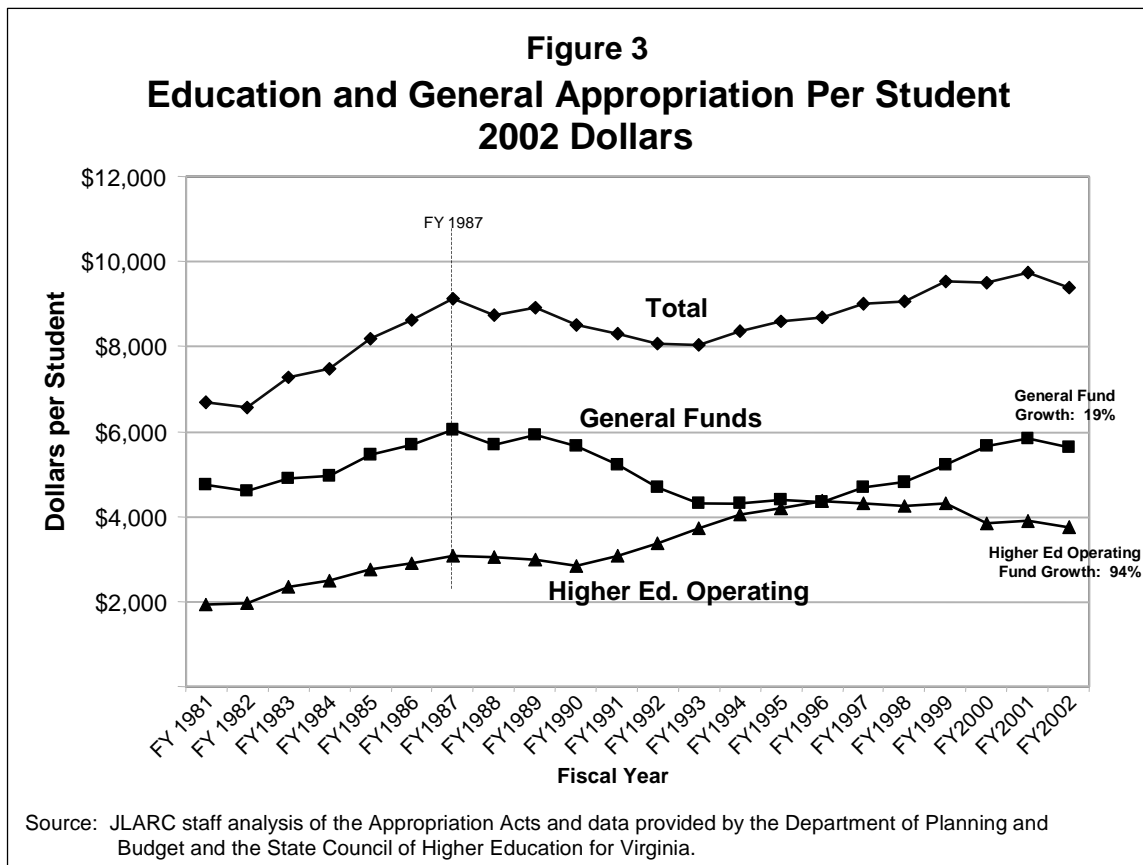
In FY 1981, \$438 million in general funds made up 71 percent of the E&G appropriation. With the State's fiscal crises of the early 1990s, the gap between general funds and higher education operating funds began to close, reflecting the State's reduced general fund support for higher education and the increase in tuition levels over this period. This trend continued until FY 1996, when E&G appropriations were nearly evenly split between general funds and higher education operating funds.



By FY 2002, the \$1.4 billion in general fund support for E&G programs represented 60 percent of the total appropriation, moving closer to the proportion that was provided in FY 1981. The resurgence in the share of general fund support reflects not only increased general fund levels, but also the tuition and fee freeze that was in place from FY 1997 through FY 1999, the subsequent 20 percent roll-back in tuition and fees in FY 2000, and a second tuition and fee freeze in the 2000-2002 biennium.

A more dramatic picture is reflected in the E&G appropriation per student on an inflation-adjusted basis. As shown in Figure 3, the peak in general fund inflation-adjusted appropriations per student occurred in FY 1987. (The per-student appropriation levels in Figure 3 were adjusted for inflation using the Consumer Price Index for All Urban Consumers (CPI-U).) Per-student amounts increased throughout most of the 1980s. However, starting in the early 1990s per-student amounts began a consecutive four-year decline, reflecting the impact of the State's constrained fiscal situation in the face of increasing enrollment levels. By the mid-1990s, State finances improved and general fund per-student appropriations began to climb again.

By the end of the 21-year period between FY 1981 and FY 2002, the State had made progress in moving back to the levels of support that were provided to public higher education students in the late 1980s. With the controls



on tuition and the State's increased general fund support for higher education in the late 1990s through FY 2002, the State was able to increase total support for higher education while at the same time lowering the costs to students and their families. (It should be noted that the final 2000-2002 Appropriation Act included an \$87 million across-the-board reduction in Central Appropriations in FY 2002 due to reduced State revenue collections. Of that total, \$41 million in reductions were allocated to higher education.)

The Commonwealth's recent increases in support for higher education were notable even in comparison with other states. In *Sourcebook 2002*, Governing magazine reported that Virginia had the second highest average percent change of state tax funds appropriated for higher education between 1996 and 2001. With an average increase of 10.7 percent, Virginia was second only to California, which had an average percent increase of 11.7 percent over the five-year period. The increase in State general fund support had the effect of, among other things, improving the affordability of higher education for Virginia's students. For example, in FY 1998 Virginia ranked eighth in terms of resident undergraduate tuition and fees at its flagship institution. However, by FY 2002 Virginia's rank had dropped to 18th. For comprehensive colleges and universities, Virginia's ranking dropped from sixth to 12th over this period for undergraduate tuition and fees. (These rankings are based on *2001-02 Tuition and Fee Rates* report produced by the Washington Higher Education Coordinating Board.)

Despite recent progress, with its current fiscal crisis the State may see a repeat of the past decade for higher education funding. The State has reduced its support for higher education in the 2002-2004 biennium, and further cuts are likely to continue. Based on the funding guidelines developed by the Joint Subcommittee on Higher Education Funding Policies, higher education will experience a funding shortfall of between \$300 and \$400 million in FY 2003. In response to reduced State support, higher education institutions adopted tuition increases in the fall of 2002 ranging from 6 percent to 25 percent. Many institutions have also announced further increases in tuition that will take effect mid-year.

ASSESSMENT OF OPPORTUNITIES FOR SAVINGS AND FOR INCREASED EFFICIENCY IN THE HIGHER EDUCATION AREAS REVIEWED

This section assesses potential opportunities for increased efficiency and savings in three areas of higher education that were identified by JLARC members as topics for this review. The three areas are special purpose research institutes and public service centers, off-campus sites, and nonproductive degree programs. These areas appear to offer possible savings and efficiencies in non-core programs or activities of the institutions.

Of the three areas, JLARC staff were able to identify the largest amount in potential savings from reducing general fund support for special

purpose research institutes and public service centers. The General Assembly cut nearly \$2 million from these entities in the 2002 Session. However, \$14 million is still provided annually for 46 institutes and centers in the 2002-2004 Appropriation Act. The General Assembly has repeatedly directed that these institutes and centers reduce their reliance on general funds.

The other two topics appear to have less potential for savings, at least in the immediate future. Adequate data was not available to assess the cost of maintaining off-campus sites, although the General Assembly may want to direct SCHEV to review, inventory, and report on existing off-campus locations. While reducing nonproductive degree programs may improve the efficiency of the higher education system, information provided by the institutions indicates that such actions do not consistently generate immediate savings.

Savings and Efficiencies Could be Found By Reducing General Fund Support for Research Institutes and Public Service Centers

Each year the State provides general funds to support between 45 and 55 research institutes and public service centers across Virginia's higher education institutions. In FY 2002, eleven four-year institutions received general funds for at least one research institute or public service center, and many institutions received funding for multiple centers or institutes. (Exceptions included James Madison University, Radford University, Mary Washington College, and the Virginia Military Institute. None of these institutions received general funds for research institutes or public service centers.) The general fund cost to the State to support these institutes and centers in FY 2002 was over \$16 million. In the 2002-2004 biennium, funding for these entities was reduced to approximately \$14 million annually.

Although these institutes and centers may serve useful purposes, there are also reasons why the State may want to examine whether the general fund support for these entities should be further reduced, if not eliminated entirely in some cases. First, the General Assembly has indicated numerous times in the past fifteen years, most recently in the 2002-2004 Appropriation Act, that the general fund support for these entities should be phased out. Second, the State may be able to more effectively target the resources provided to these entities for research or other purposes.

The General Assembly Has Indicated that General Fund Support for Research Institutes and Public Service Centers Should Not Be Provided Indefinitely. According to both SCHEV and legislative staff, general funds were initially provided to many special purpose research institutes and public service centers as seed money to start the programs. It was the Legislature's intention that these entities would ultimately secure non-general sources of funding. This intention was initially documented in the 1986-1988 Appropriation Act. The General Assembly maintained this language in Appropriation Acts until it was dropped in the 1996-1998 biennium. Most recently, in the 2002-2004

Appropriation Act, similar language reiterated the General Assembly's intention that special purpose research centers and public service centers not be funded indefinitely with general funds:

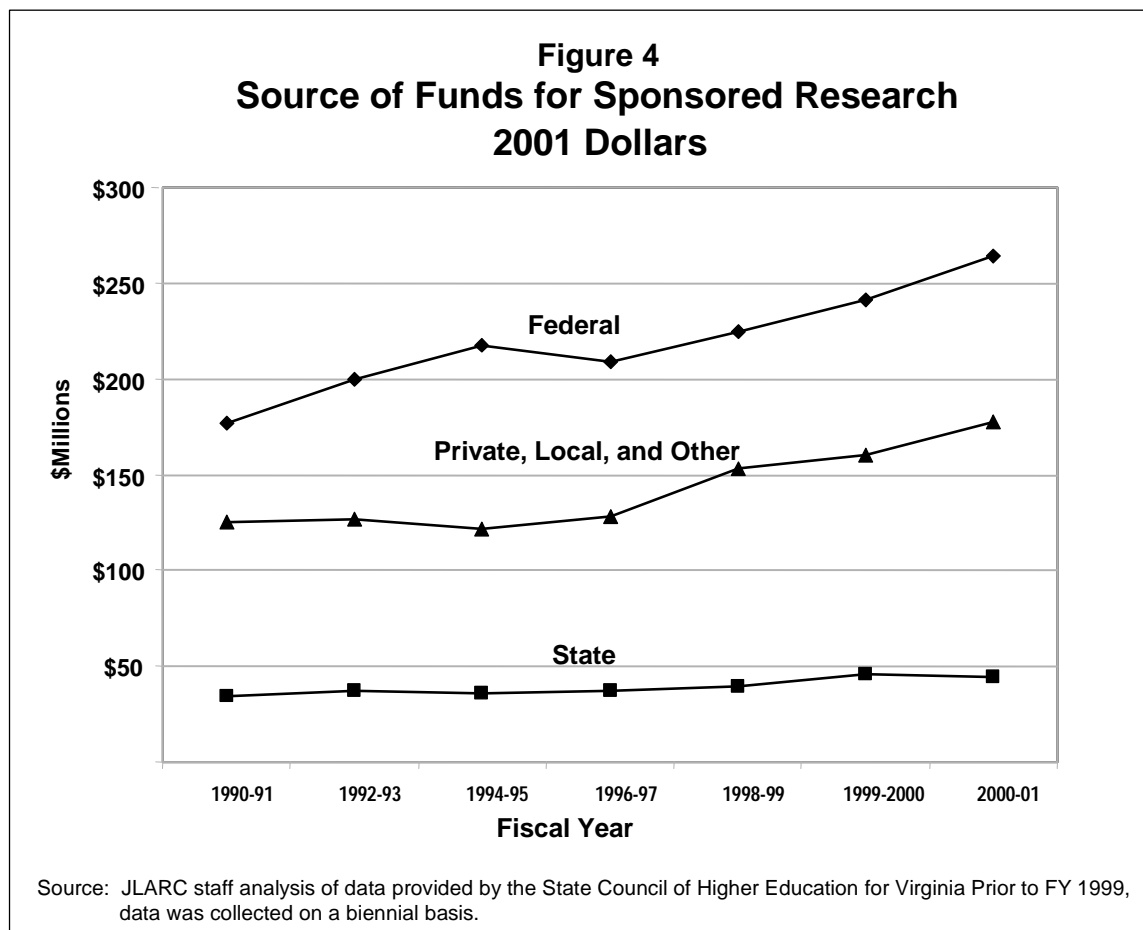
It is the intent of the Governor and the General Assembly that direct general fund support of special purpose research and public service centers and projects in higher education not be continued indefinitely and that institutions of higher education secure nongeneral fund support of such activities. (2002 Appropriation Act, Chapter 899)

General Funds for Research Institutes and Public Service Centers Could Be Targeted to Priority Research Areas. JLARC staff interviews with Virginia higher education officials indicated that the Commonwealth could be more effective in advancing research activities at its public higher education institutions if research efforts were better focused. This concern was noted in a May 2002 SCHEV report, *Condition of Research at Virginia Colleges & Universities*. Among other issues, the report found that, "the lack of state policies that support and foster academic research has hindered the ability of Virginia institutions to advance their research efforts." A further finding was that:

Most successful state R&D initiatives share key similar characteristics: (1) focused area(s) of research; (2) long-term and sustained investments in research activities; and (3) collaborative efforts among higher education, government, and business and industry.

The State provides a relatively small portion of the total funding for sponsored research at Virginia's higher education institutions. Of the approximately \$486 million provided to public institutions for sponsored research in FY 2001, the federal government provided the greatest share of support with 54 percent of the total. Private and non-state sources accounted for the next largest source of funds with 37 percent of the total. The State provided a comparatively small amount of support for sponsored research -- nine percent of total funding.

State support for sponsored research has increased over the past decade from \$26 million in FY 1991 to \$44 million in FY 2001. When adjusted for inflation, this represents a 29 percent increase. Despite this increase, the State's share of funding for sponsored research activities dropped from 10.2 percent of total funding in FY 1991 to 9.1 percent of the total in FY 2001. Figure 4 indicates that this largely occurred because, while State support for sponsored research remained relatively flat, there were large increases in the other sources of research funding.



It appears that the State has been willing to make only limited investments in higher education research, and this will likely continue to be the case in the foreseeable future as the State deals with its current fiscal situation. Even so, there are ways in which the State could better target its existing research-related resources. One way would be to better focus the dollars spent to support the operations of various special purpose research institutes and public service centers across Virginia's public institutions. (General funds to support the operations of these entities are budgeted under E&G Programs, whereas State support for sponsored research is funded under Financial Assistance for E&G Services.) By decreasing State support for the operational costs of special purpose institutes and centers, general funds could be made available for more specific research efforts or for any other purpose the State deems necessary. Alternatively, SCHEV staff have suggested that general funds could be focused on priority institutes and centers that provide the best leverage for federal research dollars.

Approximately \$16 million in general funds supported 55 different research institutes and public service centers in FY 2002. If these institutes and centers are grouped into categories, as in Table 2, two issues emerge. First, the State is supporting research institutes and public service centers across many

Table 2 Number of Research Institutes or Public Service Centers Receiving General Funds By Category FY 2002	
Category	Number of Institutes or Centers
Writing*	9
Medicine	7
Public Policy & Government	6
Natural Science	5
Water Resources & Fisheries	5
Business Research & Development	4
Education Policy/Training	4
Agriculture	3
Continuing Education	2
Port Development & Management	2
Other	8
Total Research Institutes & Public Service Centers	55
*Funding for all 9 Virginia Writing Program Centers was discontinued in the 2002-2004 Appropriation Act.	
Source: JLARC staff analysis of Chapter 899, the 2002-2004 Appropriation Act; data provided by the Senate Finance and the House Appropriations Committees; and information provided by the higher education institutions.	

different research topics and public services areas. Thus, it appears that there may be opportunities to better focus the funds supporting these institutes and centers. (The institutes included in Table 2 are only those that receive general fund appropriations from the State. There are many additional institutes and centers at the institutions that are funded through means other than State general funds. For example, the University of Virginia website lists over 100 research institutes and public service centers, of which fewer than 10 appear to receive a general fund appropriation.)

Second, it appears that there are often multiple institutes or centers conducting research in a given topic area. For example, there are several higher education entities providing training and conducting research in the area of public policy and government, two separate centers in central Virginia receive general funds to provide economics education for teachers, and several different entities undertake research in the area of marine resources. (A list of the State supported research institutes and public service centers is provided at the end of this section in Table 3.)

The research efforts and services provided by each of the different institutes and centers reflected on Table 2 may serve useful and valuable purposes. However, the General Assembly may want to consider whether the State should be a source of funding for all of these various efforts or whether

State resources should be better targeted, particularly in a time of constrained resources.

Recommendation (1). The General Assembly may wish to consider either focusing general funds on a few priority research institutes or public service centers, or reducing or eliminating support for the operation of these entities entirely.

Table 3 Special Purpose Research Institutes and Public Service Centers Receiving State General Funds by Category			
Institute or Center Name	FY 2002 General Funds	FY 2003 General Funds	FY 2004 General Funds
<i>Medicine</i>			
<u>UVA</u>			
Diabetes Research Center	\$225,000	\$196,263	\$196,263
O'Brien Center of Excellence in Urology	\$300,000	\$270,000	\$270,000
<u>VCU</u>			
Massey Cancer Center	\$500,000	\$500,000	\$500,000
Autism Training/Family Support Program	\$590,000	\$531,000	\$531,000
Commonwealth Center for Head Injury	\$323,000	\$293,700	\$293,700
Alzheimer's & Related Disease Research Awards	\$100,000	\$90,000	\$90,000
Center for the Advancement of Generalist Medicine	\$253,606	\$253,606	\$253,606
<i>Public Policy and Government</i>			
<u>UVA</u>			
Virginia Institute of Government	\$350,000	\$315,000	\$315,000
Center for Public Service	\$1,802,691	\$1,802,691	\$1,802,691
Center for Politics	\$555,000	\$416,000	\$416,000
<u>VCU</u>			
Virginia Executive Institute/Commonwealth Management Institute	\$140,700	\$140,700	\$140,700
Center on Urban Development	\$200,000	\$150,000	\$150,000
GMU – Center for Conflict Resolution	\$412,500	\$371,250	\$371,250
<i>Natural Science</i>			

<u>UVA</u>			
Institute for Nuclear & Particle Physics	\$362,023	\$222,023	\$222,023
Office of the Virginia State Climatologist	\$113,000	\$101,700	\$101,700
CWM – Thomas Jefferson National Accelerator Facility	\$596,649	\$536,984	\$536,984
CNU, CWM, NSU, ODU – Applied Research Center	\$1,560,000	\$1,404,000	\$1,404,000
Va Tech Center for Coal & Energy Research	\$175,000	\$157,500	\$157,500
<i>Water Resources & Fisheries</i>			
ODU – Physical Oceanography Commonwealth Center	\$331,342	\$298,208	\$298,208
VIMS – Aquaculture Genetics & Breeding Program	\$350,000	\$350,000	\$350,000
Va Tech – Virginia Water Resources Research Center	\$125,000	\$112,500	\$93,750
VSU – Hybrid Striped Bass Program	\$435,674	\$392,107	\$392,107
UVA – Fishery Resource Grant Fund	\$300,000	\$270,000	\$270,000
<i>Business Research & Development</i>			
CWM - Bureau of Business Research	\$21,389	\$21,389	\$21,389
LU – Small Business Development Center	\$168,855	\$85,815	\$85,815
VCU – Virginia Labor Center	\$237,154	\$177,154	\$177,154
Va Tech – Center for Organizational and Technological Advancement	\$550,000	\$450,000	\$425,000
<i>Agriculture</i>			
VSU/VSU Extension			
Small-Farmer Outreach Training & Technical Assistance Program	\$394,000	\$394,000	\$394,000
Agriculture Research Programs	\$128,486	\$115,637	\$115,637
UVA – State Arboretum	\$100,000	\$100,000	\$100,000
<i>Continuing Education</i>			
LU – Halifax/South Boston Continuing Education Center	\$243,855	\$443,855	\$243,855
Va Tech – Reynolds Homestead Continuing Education	\$50,000	\$45,000	\$45,000
<i>Port Development & Management</i>			
ODU – International Maritime, Ports, Logistic Management Institute	\$50,000	\$50,000	\$50,000
VIMS – Scientific Research Into Port Development	\$100,000	\$90,000	\$90,000
<i>Education Policy/Training</i>			
LU- Institute for Teaching Through Technology & Innovative Practices	\$269,163	\$242,253	\$242,253
VCU – Education Policy Institute	\$150,000	\$112,500	\$112,500
LU – Center for Economics Education	\$10,949	\$9,849	\$8,449
VCU – Council on Economics Education	\$400,000	\$300,000	\$300,000

Other			
UVA			
Foundation for the Humanities	\$1,034,800	\$1,034,800	\$1,034,800
Virginia Youth Leadership	\$50,000	\$45,000	\$40,000
ODU			
CHANCE Program	\$74,000	\$66,600	\$66,600
Lamberts Point	\$75,000	\$67,500	\$67,500
VCU			
Center on Aging	\$375,000	\$337,500	\$337,500
Gang Prevention Project	\$125,000	\$112,500	\$100,000
CWM – Institute for Early American History & Culture	\$108,714	\$97,843	\$83,714
GMU – School of Law Special Funding	\$1,000,000	\$900,000	\$900,000
Writing			
GMU – Virginia Writing Program	\$30,000	\$0	\$0
LU – Virginia Writing Program	\$75,020	\$0	\$0
ODU – Virginia Writing Program	\$30,000	\$0	\$0
UVA – Virginia Writing Program	\$30,000	\$0	\$0
UVA-Wise – Virginia Writing Program	\$30,000	\$0	\$0
VCU – Virginia Writing Program	\$30,000	\$0	\$0
Va Tech – Virginia Writing Program	\$30,000	\$0	\$0
VSU – Virginia Writing Program	\$30,000	\$0	\$0
CWM – Virginia Writing Program	\$30,000	\$0	\$0
Total General Funds	\$16,132,570	\$14,474,427	\$14,197,648

Off-Campus Sites May Be Candidates for Increasing Efficiencies

Over the past few years, there has been increased interest in the off-campus sites operated by Virginia's public higher education institutions. As defined in the Appropriation Act, an off-campus site "means any location not contiguous to the approved main campus of the institution." Off-campus sites take a variety of forms. For example, they can include branch campuses, centers, or distance learning sites.

Recently, there has been increased concern over a perceived proliferation of off-campus sites. The concern is that a proliferation of such sites could lead to redundancies and inefficiencies in the higher education system. George Mason University (GMU), for example, has expressed concern that other State institutions offer programs in northern Virginia that are redundant and compete directly with programs provided by GMU.

Both the *Code of Virginia* and the Appropriation Act give SCHEV responsibility and authority for approving organizational changes at Virginia's

public institutions, including the establishment of off-campus sites. Section 23-9.6:1.7 of the *Code*, which dates back to 1974, states that SCHEV has the duty, responsibility, and authority:

To review and approve the creation and establishment of any department, school, college, branch, division or extension of any public institution of higher education which such institution proposes to create and establish. This duty and responsibility shall be applicable to the proposed creation and establishment of departments, schools, colleges, branches, divisions and extensions, whether located on or off the main campus of the institution in question. If any organizational change is determined by the Council to be proposed solely for the purpose of internal management and the institution's curricular offering remain constant, the Council shall approve the proposed change. Nothing in this provision shall be construed to authorize the Council to disapprove the creation and establishment of any department, school, college, branch, division or extension of any institution which has been created and established by the General Assembly.

Language was later included in the Appropriation Acts in the early 1980s detailing and clarifying SCHEV's authority to approve off-campus sites. This language has been amended several times, most recently in the 2002 General Assembly Session. The current version of the language reads as follows:

No public college or university shall plan for any off-campus location without first referring the matter to the State Council of Higher Education for Virginia for information, consideration, and recommendation to the Governor and General Assembly. No public college or university shall establish or employ faculty or staff at an off-campus location without prior approval of the State Council of Higher Education for Virginia, unless the General Assembly has provided specific approval and appropriation identifying the additional off-campus activities. For the colleges of the Virginia Community College System, the State Board of Community Colleges shall be responsible for approving off-campus locations. Activities governed by this requirement are those at any location not contiguous to the main campus of the institution, including locations outside Virginia, where credit or noncredit offerings are provided and for which full-time or part-time faculty or staff are employed." (Section 4-5.05c, Chapter 899, 2002-2004 Appropriation Act)

Seventy-eight Off-Campus Sites Across the State and Abroad are Operated by the Four-Year Institutions. Based on a recent survey of Virginia's public four-year institutions, SCHEV reported a total of 78 off-campus sites that are maintained by 11 higher education institutions. The number of sites maintained by each institution is provided in Table 4. (A detailed list of the off-site campus locations is provided at the end of this section in Table 5.)

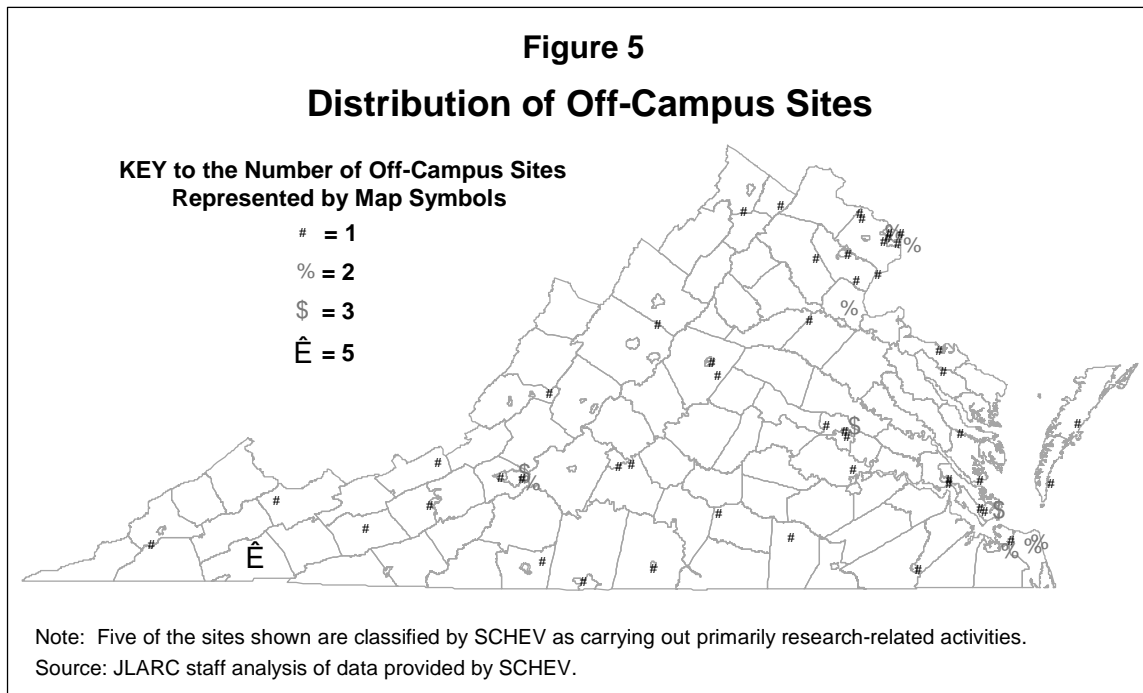
As indicated previously, these off-site locations take a variety of forms. For instance, they include the Virginia Institute of Marine Science, Virginia Tech's Northern Virginia Center which provides both credit and non-credit courses, Old Dominion University's teletechnet sites at the 23 community colleges, and Virginia Commonwealth University's School of the Arts in Doha, Qatar. In some cases, multiple institutions maintain a site at a single location. In these cases, SCHEV counted each institution's site as a separate off-campus site.

Figure 5 indicates where various off-campus sites are located, with the exception of VCU's School of the Arts in Qatar and Virginia Tech's Center for European Studies and Architecture in Switzerland. As can be observed in Figure 5, there is a fairly heavy concentration of off-campus locations in northern Virginia. There are also a number of sites in Richmond, Roanoke, Washington County, and the Tidewater area.

SCHEV Is Currently Revising Its Process for Approving New Off-Campus Sites, Although Existing Sites Will Not Be Reviewed. SCHEV is in the process of revising the Council's policies and procedures related to the establishment of off-campus sites. Staff are planning to submit a final draft of the revised policies and procedures governing off-campus sites for Council approval in January 2003.

Table 4
Number of Off-Campus Sites Maintained By Four-Year Institutions*

Old Dominion University**	29
University of Virginia	14
Virginia Tech	9
Virginia Commonwealth University	8
College of William and Mary	6
George Mason University	3
Radford University	3
Norfolk State University	3
University of Virginia's College at Wise	1
Longwood University	1
Mary Washington College	1
*Includes seven sites classified as carrying out primarily research-related activities.	
**Includes ODU's Teletechnet distance learning sites located at the community colleges.	
Source: JLARC analysis of data provided by the State Council of Higher Education for Virginia.	



According to SCHEV staff, there are several reasons why the current procedures need to be revised, including a need to respond to the language in the 2002 Appropriation Act. Perhaps more importantly, SCHEV staff have also found that some institutions may not be complying with the requirements governing the establishment of off-campus sites. In the agenda book for the July 2002 Council meeting, SCHEV staff indicated that:

Many institutional representatives voiced not only negative reactions but also surprise at the new Appropriation Act language. Evidence suggests to Council staff that some institutions have been unaware of the legal requirement related to off-campus sites and/or of Council's organizational-change policies and procedures related to off-campus sites.

In other words, some institutions may have established off-campus sites without going through SCHEV's approval process. In fact, of the 78 off-site locations reported, SCHEV was able to provide documentation indicating Council approval for 14 of these sites. (In some cases, sites may have been approved by the General Assembly or the Regional Consortia for Continuing Higher Education, in which case they were not subject to approval by SCHEV.)

The revised SCHEV approval process should lead to reduced inefficiencies in the future that result from duplicative or unnecessary off-campus sites. However, SCHEV staff indicate that the current review will not include an

assessment of the current off-campus locations. This is, in part, because SCHEV staff do not feel they have the authority to close existing off-campus sites.

To the extent that some of the off-campus sites were established without going through SCHEV's approval process, it is unclear whether they would have met SCHEV's policies and procedures for establishing such locations. In these cases, there may be an inefficient allocation of resources and unnecessary redundancies in the higher education system. SCHEV's recent survey of higher education institutions did not request budget information related to the off-campus locations; however, it is likely that in some cases the resources dedicated to these sites are significant. If sites were established that would not meet SCHEV's policies and procedures, there could be savings resulting from the closure of such sites. The General Assembly may, therefore, want to request that SCHEV review, inventory, and report on existing off-campus sites, particularly those that have been established in recent years. However, in so doing the General Assembly may need to extend additional authority to SCHEV to close such sites if they do not meet SCHEV's guidelines.

Recommendation (2). The General Assembly may wish to consider requesting that SCHEV review, inventory, and report on existing off-campus sites. The General Assembly may also wish to consider extending SCHEV's authority to close sites not previously approved if they do not meet SCHEV's policies and guidelines for off-campus sites.

Table 5 Off-Campus Sites Reported By The State Council of Higher Education for Virginia	
College of William and Mary	
Virginia Institute of Marine Science	Gloucester Point
Peninsula Center	Newport News
327 Richmond Road*	Williamsburg
Colonial Williamsburg*	Williamsburg
NASA*	Hampton
Applied Research Center*	Newport News
George Mason University	
Arlington Campus	Arlington
Prince William Campus	Manassas
Center for Innovative Technology	Herndon
Longwood University	
South Boston/Halifax Campus	South Boston
Mary Washington College	

James Monroe Center for Graduate and Professional Education	Fredericksburg
Norfolk State University	
Naval Base	Norfolk
Tri-Cities Campus	Portsmouth
Virginia Beach Campus	Virginia Beach
Old Dominion University (Majority are Teletechnet Sites)	
Virginia Beach Campus	Center
Southside VA Community College Christanna	Alberta
Southside VA Community College J. H. Daniel Campus	Keysville
Southwest VA Community College	Richlands
VA Western Community College	Roanoke
Blue Ridge Community College	Weyer's Cave
Northern Virginia Higher Education Center	Sterling
Virginia Highlands Community College	Abingdon
Wytheville Community College	Wytheville
Peninsula Campus	Hampton
Tri-Cities Campus	Portsmouth
Central VA Community College	Lynchburg
Dabney S Lancaster Community College	Clifton Forge
Danville Community College	Danville
Eastern Shore Community College	Melfa
Germanna Community College	Locust Grove
J. Sergeant Reynolds Community College	Richmond
John Tyler Community College	Chester
Lord Fairfax Community College	Middletown
Lord Fairfax Community College Fauquier Campus	Warrenton
Mountain Empire Community College	Big Stone Gap
New River Community College	Dublin
Northern VA Community College Annandale	Annandale
Northern VA Community College Woodbridge	Woodbridge
Patrick Henry Community College	Martinsville
Paul D. Camp Community College	Franklin
Piedmont Community College	Charlottesville
Rappahannock Community College Glenns	Glenns
Rappahannock Community College Warsaw	Warsaw
Radford University	
Southwest Virginia Higher Education Center	Abingdon
Roanoke Higher Education Center	Roanoke
Virginia Western Community College	Roanoke
University of Virginia	
Mt. Lake Biological Station*	Pembroke
Blandy Experimental Farm*	Boyce
Virginia Coast Reserve*	Oyster
Roanoke Memorial Hospital	Roanoke
Salem Veteran's Affairs Medical Center	Salem
Fairfax Hospital	Fairfax
Roanoke Center	Roanoke

FBI Academy	Quantico
Hampton Roads Center	Hampton Roads
Lynchburg Center	Lynchburg
Richmond Center	Richmond
Charlottesville Center	Charlottesville
UVA Southwest Programs	Abingdon
Northern Virginia Center	Falls Church
University of Virginia's College at Wise	
Southwest Virginia Higher Education Center	Abingdon
Virginia Commonwealth University	
Monument Heights Baptist Church	Richmond
The Hermitage at Cederfield	Richmond
NOVA Social Work-GMU	Arlington
Qatar - School of the Arts	Doha, Qatar
James Monroe Center, Mary Washington College	Fredericksburg
VA Museum of Fine Arts	Richmond
Stratford Hall Plantation	Stratford
INOVA- Medicine	Fairfax
Virginia Tech	
Roanoke Valley Graduate Center	Roanoke
Virginia Tech Richmond Center	Richmond
VA Consortium of Engineering & Science Universities Center	Hampton
VA Tech Washington/Alexandria Architecture Center	Alexandria
Hampton Roads Grad Center	Virginia Beach
Center for European Studies & Architecture	Riva San Vitale, Switzerland
VA Tech Engineering Research Center	Alexandria
Southwest Virginia Higher Education Center	Abingdon
Northern Virginia Center	Falls Church
*These sites are classified as carrying out primarily research-related activities.	

SCHEV Should Undertake Program Productivity Reviews of Degree Programs on a More Consistent Schedule, Even Though the Savings That Result from Reducing Nonproductive Programs Appears Limited

SCHEV's statutory duties and responsibilities include, among other things, oversight of academic degree programs at Virginia's public higher education institutions. All new academic programs are subject to SCHEV approval. SCHEV is also required to review and discontinue any existing academic program that is either nonproductive or duplicative. Section 23-9.6:1 of the *Code of Virginia* provides that SCHEV may determine a program is:

“(i) non productive in terms of the number of degrees granted, the number of students served by the program, the

program's effectiveness, and budgetary considerations, or
(ii) supported by state funds and is unnecessarily duplicative
of academic programs offered at other public institutions ...”

Prior to 1995, SCHEV evaluated degree programs based on three quantitative criteria – degrees conferred by the program, majors enrolled in the program, and service the program provided to other degree majors. SCHEV staff indicate that these productivity criteria were based on SCHEV's 1987 *Policies and Procedures for the Quantitative Evaluation of Degree Programs*. A program could be exempted from the quantitative standards by extraordinary institutional considerations, such as the interdisciplinary nature of the program.

In 1995, and again in 2001, SCHEV made several changes to improve the productivity review process. In 1995, SCHEV introduced a scoring index that included both the quantitative standards as well as qualitative factors. (These changes were made, in part, in response to the 1995 JLARC *Review of the State Council of Higher Education for Virginia*.) The process was also refined by eliminating interdisciplinary programs, and combining master's and doctoral degrees that were essentially one graduate program. In 2001, SCHEV simplified the productivity review process to lessen the reporting burden on institutions and to provide the Council with comparable information for each of the programs under the review. SCHEV also excluded new programs from the review to allow adequate start-up time and programs offered in collaboration with other institutions or consortia.

In 2002 SCHEV staff raised concerns about unintended consequences and limitations of the program productivity review process. According to SCHEV staff:

A critical issue is that [the] current program inventory and classification system does not identify programs at a level of specificity that makes it possible to identify majors, concentrations or tracks within degree programs.

SCHEV staff also indicated that program productivity guidelines should reflect the Council's interest in decentralizing operations, avoiding unnecessary duplication system-wide, and reducing the reporting burden on institutions. As a result of these and other concerns, SCHEV is in the process of revising its process for reviewing the productivity of academic programs. SCHEV staff will submit the revised policy to the Council by December 2002.

SCHEV's Program Productivity Reviews Should Be Carried Out on a More Regular Basis. The 1995 JLARC review noted that SCHEV had not effectively eliminated low-productivity degree programs. For example, of the 99 programs placed under “close scrutiny” for low productivity between 1987 and 1994, only 23 were closed, organizationally modified, or merged with another existing program.

In 2002, JLARC staff requested SCHEV to follow up on the nonproductive programs identified in the 1994 productivity report, as well as those noted in later SCHEV reviews. Since the prior JLARC review, a higher rate of closure of nonproductive programs has occurred at the institutions. Table 6 shows that, of the 48 programs noted in 1994, 31 were closed or merged with other programs, 15 subsequently met standards or were exempt from review, and two were “continued under close scrutiny”. A 1995 SCHEV review identified an additional 36 programs as nonproductive. Of these 36 programs, 23 were closed or merged, 12 subsequently met standards, and one was continued. In the most recent 2001 productivity review, 22 programs were identified as nonproductive. Of these 22, six have now been closed, six continue, most of which are “under close scrutiny”, and the remaining 10 either met the productivity standards or were determined to be exempt from review.

The frequency with which SCHEV has undertaken its program productivity reviews over the past 15 years has varied. The 1995 JLARC report recommended that SCHEV review programs “on a consistent, periodic basis.” This was based on JLARC staff’s assessment that “a long-term, set schedule sends a clear signal to institutions that program review is a constant undertaking; one that will not disappear if its results are ignored.”

Since 1987, it appears that SCHEV conducted seven productivity reviews with productivity review reports produced in 1987, 1989, 1991, 1993, 1994, and 1995. After the 1995 report, however, another comprehensive

Table 6 Action Taken on SCHEV’s Productivity Reviews of Academic Programs Since 1994				
	Number of programs found to be nonproductive	Number of programs closed or merged	Number of programs that subsequently met standards or were exempt*	Number of programs continued or continued under close scrutiny
1994	48	31	15	2
1995	36	23	12	1
2001	22	6	10	6
Total	106	60	37	9
<p>*Also includes programs that are exempt from review because they are interdisciplinary or have other unique circumstances.</p> <p>Source: JLARC staff analysis of data provided by the State Council of Higher Education for Virginia.</p>				

productivity review was not undertaken until the fall of 2001. SCHEV staff cite budget difficulties for not undertaking productivity reviews between 1995 and 2001; however, such reviews are a statutory responsibility of the agency. Moreover, in a survey of the higher education institutions, many institutions reported taking actions to close or modify programs not previously identified by SCHEV during the years between 1995 and 2001. In at least some cases, the institutions gave low productivity or increases in efficiency as the reason for the closures and modifications – an indication that nonproductive degree programs were operating during the timeframe in which SCHEV suspended its reviews.

SCHEV's recent revised draft program productivity procedures appear to recognize the importance of conducting productivity reviews on a regular schedule. The revised procedures currently under consideration by the Council call for SCHEV to review all approved degree programs at least once every five years.

Institutions Report Limited Savings from Closing Nonproductive Programs. There are a variety of reasons why institutions should close or modify nonproductive academic programs -- increasing efficiency and reducing duplication being perhaps the most salient reasons. Significant cost savings, however, do not appear to be a compelling reason for undertaking this activity.

In a JLARC staff survey of public higher education institutions, less than half of Virginia's institutions were able to attribute a specific savings amount that resulted from academic program closures or modifications. Where savings amounts were reported, they were usually modest, ranging from \$20,000 to \$300,000. One of the primary reasons why savings are modest is that faculty in any given department do not typically serve just one program. If a department discontinues a program, the faculty members who were providing instruction and direction for those programs may continue to teach classes in other programs. Because of this, the savings in other cost areas, such as administrative costs, may be minimized as well.

Indeed, the benefit of discontinuing nonproductive academic programs may be one of cost avoidance. Radford University's survey response succinctly states, "A claim for cost savings--at best--would be that by taking [actions to eliminate programs] the University has avoided the need to add more instructional personnel because it has reduced the array of programs..."

***Recommendation (3).* The State Council of Higher Education for Virginia should review the productivity of academic degree programs at higher education institutions on a consistent, periodic basis.**

Of the Three Areas Assessed By JLARC Staff, It Appears that Reducing State Support for Research Institutes and Public Service Centers Could Produce the Greatest Amount in Immediate Savings

Of the three areas addressed in this special report, it appears that reducing general fund support for special purpose research institutes and public service centers could produce the greatest amount in immediate savings for the State. The State provides \$14 million in general funds annually to these entities. By reducing their reliance on State support, general funds could be redirected to more targeted research activities or other State needs.

Adequate data was not available to assess the potential savings that could result from closing inefficient or duplicative off-campus sites. However, evidence suggests that higher education institutions may have established off-campus locations without the approval of SCHEV or the General Assembly. The General Assembly may, therefore, wish to direct SCHEV to review, inventory, and report on existing off-campus sites.

Reducing nonproductive degree programs does not appear to be a potential source of significant savings for the State. However, reducing nonproductive programs improves the efficiency of the overall higher education system. SCHEV should therefore review nonproductive degree programs on a consistent and periodic basis.

12/04/02

Revisions to the Commission Draft of 11/12/02



NOV 4 - 2002

COMMONWEALTH of VIRGINIA

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November 4, 2002

Mr. Philip A. Leone, Director
Joint Legislative Audit and Review Commission
Commonwealth of Virginia
Suite 1100, General Assembly Building, Capitol Square
Richmond, Virginia 23219

Dear Mr. Leone:

I write in response to your letter dated October 29, 2002, in which you invited my comments on the exposure draft of the JLARC Higher Education Special Report. It was our pleasure to provide assistance and information to your staff during the review, and I appreciate this opportunity to respond to the exposure draft. I provide the following comments for your consideration:

Section One: Research Institutions or Public Service Centers (pp. 7 –13). Based on SCHEV's *Condition of Research* report and as cited in JLARC's draft report, common elements of successful state research and development initiatives share three similar characteristics: (1) focused areas of research; (2) long-term and sustained investments in research activities; and (3) collaborative efforts among higher education, government and business. In your first recommendation, you suggest that the General Assembly "may wish to consider either focusing general funds on a few priority research institutions or public service centers, or redesign or eliminating support for the operation of these entities entirely." Based on SCHEV's research, the Commonwealth's research universities lag behind their peers, in part, because it does not have long-term and sustained investments in research. Reducing or eliminating support for the operations of research centers entirely would only serve to reduce even further the Commonwealth's investments in research. That said, refocusing or redirecting these funds to areas that would provide the best return on investment and help to leverage federal funds, might be an appropriate alternative. Therefore, you may consider rewording recommendation (1) as follows:

Recommendation (1). The General Assembly may wish to consider focusing general funds on priority research institutes and centers that provide the best leverage for federal research dollars.

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Section Two: "Off-Site Campuses May Be Candidates for Increasing Efficiencies" (pp. 13-19). The report (pp. 13-19) uses the phrase "off-site campuses," but SCHEV policies and procedures relate to "off-campus sites." For SCHEV purposes, the term "campus" refers to a self-contained educational operation; in "Policies and Procedures Relating to Off-Campus Sites and Campuses," SCHEV defines a campus as a site offering one or more full academic degree programs. Few of the sites/locations listed in the report meet SCHEV's definition of a campus.

In the third paragraph on page 13, the first sentence implies that SCHEV is responsible for approving all organizational changes and all off-campus sites. SCHEV is responsible for approving only those organizational changes proposed for reasons other than internal management and only those off-campus sites meeting the Appropriation Act criteria. SCHEV's policies and procedures further delineate which organizational changes and off-campus sites are subject to approval (and through which procedures). Even though the Appropriation Act language has been amended several times, it has consistently referred to *instructional* sites (where either credit or non-credit instruction is provided). Section 23-9.6:1.7 of the *Code of Virginia* mentions departments, schools, colleges, branches, divisions and extensions - academic units where instruction is offered. The definition of which instructional sites are subject to Council approval has varied with the Appropriation Act amendments and SCHEV's policy and procedure revisions. Although non-instructional sites (research centers/labs, athletic arenas, dormitories, etc.) have never been within the Council's purview, JLARC included some sites in Table 5 that are actually research centers where no instruction is provided.

In the second paragraph on page 14, the statement that the 78 reported sites are "based on SCHEV's definition of an off-site location" is not accurate. The survey asked institutions about off-campus *instructional* sites, not every off-campus location or facility regardless of use--and even then, some of them reported sites that are research centers where little or no instruction occurs. In the title of Figure 5 (p.15) the word "campuses" should be changed to "sites" or "locations."

On page 16, in the conclusion of the paragraph after the quotation, the sentence in parentheses is incomplete. In addition to sites approved by the General Assembly, others may have been approved by the Regional Consortia for Continuing Higher Education (which approved off-campus instructional activities and sites before being eliminated through Project Streamline in the 1980s), and still others may not have required Council (or General Assembly) approval, depending on the language of the Appropriation Act and the Council's policies and procedures at the time of their establishment. Because both the Appropriation Act language and SCHEV's policies and procedures have been revised several times over the years, it is necessary to document when the sites were established and what guidelines were in effect at that time.

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In the last paragraph on page 16, the report suggests, "it is likely that in some cases the resources dedicated to these sites are significant. If sites were established that would not meet SCHEV's policies and procedures, there could be savings resulting from the closure of such sites." For many institutions, the delivery of off-campus instruction in selected programs represents an entrepreneurial model that is self-supporting and, in fact, returns a profit to the institution. The language in the Appropriation Act does not currently distinguish among sites on their source of funding or their ability to generate revenue.

Section Three: SCHEV Should Undertake Program Productivity Reviews of Degree Programs on a More Consistent Schedule, Even Though the Savings That Result from Reducing Nonproductive Programs Appears Limited (pp. 19 – 23). JLARC notes (p. 21) "SCHEV staff cite budget difficulties for not undertaking productivity reviews between 1995 and 2001." To clarify, budget difficulties were not cited as a reason for suspending the formal productivity review process in 1998. Council had previously requested \$150,000 to conduct annual program reviews of two disciplines, and that initiative was not funded; budget was an issue only if SCHEV were to conduct additional comprehensive statewide program reviews. SCHEV normally would have initiated a productivity review in 1998, but the Council was considering changes to its review process at that time. Council directed staff to review only those programs that were placed on probation in 1995-96, and staff reported results to the Council in January 1999.

The JLARC report (p. 21) references "a survey of higher education institutions" in which "many institutions reported taking actions to close or modify programs not previously identified by SCHEV during the years between 1995 and 2000. In at least some cases, the institutions gave low productivity or increases in efficiency as the reason for the closures and modifications - an indication that nonproductive degree programs were operating during the timeframe in which SCHEV suspended its reviews." Because the statute does not require biennial reviews, we believe SCHEV has consistently met its statutory responsibility to systematically monitor academic program productivity. Although SCHEV did not identify new programs for possible closure between 1995-96 and 2001, staff monitored voluntary program closures by institution, and in September 2000, gave Council a report on program closures since 1998. Institutional standards for programs closed voluntarily may have differed from SCHEV's productivity standards based on 5-year averages.

To align SCHEV's productivity review with institutions' program review cycles, the Council is currently considering a new five-year cycle for productivity review. The JLARC report (p. 22) indicates that SCHEV's revised procedures for productivity review "call for SCHEV to monitor the quantitative standards for 20 percent of degree programs annually, which means that all programs will be subject to review at least every five years." Council has not yet acted on its final revised guidelines, however, the final policy may not call for

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20 percent of degree programs to be reviewed every year, but that all approved programs will be reviewed at least once every five years.

I hope that this feedback will be valuable to you as you prepare the final version of the JLARC Higher Education Special Report. I will be at JLARC's November 12th meeting should there be any questions by members. In the meantime, please do not hesitate to contact me if you have additional questions or concerns. Thank you, again, for the opportunity to comment.

Sincerely,



Phyllis Palmiero

c: SCHEV Council Members
Dr. Nancy Cooley, Academic Affairs Director, SCHEV
Dan Hix, Acting Finance Policy Director, SCHEV